Supreme Court, U. S.
FILED
JUN 28 1977
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

October Term, 1976

No. 76-1628

CHISHOLM-RYDER COMPANY, INC., and NEW YORK STATE GRAPE PRODUCTION RESEARCH FUND, INC.,

Petitioners,

vs.

LEWIS MANUFACTURING COMPANY, LEO J. LEWIS, WILLIAM L. LEWIS, MARK LEWIS and LEWIS MANUFACTURING COMPANY,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

PETITIONERS' REPLY MEMORANDUM

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On Petition For Writ of Certiorari to the United States Court of Appeals for the Third Circuit

PETITIONERS' REPLY MEMORANDUM

In Respondents' Brief in opposition to the petition for writ of certiorari, factors are advanced to justify as reasonable the lower Courts' critical inference that Shepardson's failure to disclose five items of prior art to the Patent and Trademark Office was "deliberate". These factors will be considered hereinafter under separate headings.

Factor Of Disclaimer Aspects

According to the Courts below, the failure of Shepardson to file a disclaimer promptly, waiting until after this lawsuit was commenced to do so, and the inference made by the Courts that filing a disclaimer is an admission that Shepardson claimed more than that to which he was entitled, necessarily involved the Courts' application of 35 U.S.C. §§ 253 and 288, and, moreover, are factors which Respondents contend contribute to rendering reasonable the inference made by the Courts below that Shepardson deliberately failed to disclose prior art to the Office.

Thus, Respondents' presented Question 2 answers their presented Question 1 affirmatively, as well as involves Petitioners' presented Questions 1 and 2, and obviously encompasses Petitioners' presented Question 3.

Since there is no requirement for a "prompt" filing of a disclaimer, as there was under the old law, the time when a disclaimer is filed has no probative value in inferring a deceitful intent.

The rationale behind the principle that the filing of a disclaimer is not an admission by the patentee that the disclaimed matter was not patentable, is clearly explained in *Permutit Co. v. Wadham*, 13 F.2d 454, 457 (6th Cir. 1926):

> "We do not understand that a disclaimer to avoid the supposed anticipating or limiting effect of some other publication is a confession that the patent would be void if the disclaimer were not made. The patentee decides a question of policy; he may think that, although the supposed anticipation can be successfully met and defeated, a disclaimer will not affect the real value of his patent, and to make it will save trouble and expense and do no harm. We see no reason why he is not at liberty, after the disclaimer as before, to deny the anticipatory effect of the other matter; and it has been so held (citing case)."

Accordingly, there is no probative value to be derived from the mere fact of filing a disclaimer, for inferring a deceitful intent.

Factor of Volume Of Non-Disclosed Prior Art

Respondents point to the volume of the non-disclosed prior art as another factor for support of the lower Courts' inference of deliberate concealment. Involved are publications (*105th Proc., 106th Proc., Ag. Eng.*) of three articles which Shepardson co-authored, and two theses (*Padget, Studer*) of graduate students whom he supervised. Assuming these five items to be "printed publications" within the meaning of 35 U.S.C. § 102, and further assuming they were proven up as to date, which they were not, they could only be potential prior art against claims supported on the continuation-in-part application and not against those claims supported on the parent application.[1] The Courts below found that the subject matter of claims 12, 14 and 15, those appealed by Petitioners, was not disclosed in the parent application and thus was subject to prior art dated more than one year (April 16, 1964) prior to the filing date of the continuation-in-part application, whereas the remaining claims (1, 2, 5, 6, 8, 11 and 17) were supported by the disclosure of the parent application.

It is again emphasized at this juncture that the seven claims 1, 2, 5, 6, 8, 11 and 17 were invalidated on the *Grape Belt* newspaper article, not one of the non-disclosed five items of which Shepardson had chargeable knowledge. While *Grape Belt* included the same text of the manuscript which Shepard-

[1] The exception could be *Padget*, but its disclosure is so remote to the patent claims as to be grossly immaterial.

son co-authored, as was later published in *105th Proc.*, the latter was not published early enough to be prior art against the parent application, whereas *Grape Belt* was, although the manuscript was caused to be published unintentionally in *Grape Belt* by one of Shepardson's co-authors and without Shepardson's knowledge. The Courts below expressly found that Shepardson was unaware of the *Grape Belt* publication, so that he cannot be faulted for not bringing this newspaper article to the attention of the Office. *Layne-New York Co., Inc. v. Allied Asphalt Co., Inc.*, 363 F.Supp. 299, 307 (W.D. Pa. 1973), rev'd. on other grounds, 501 F.2d 405 (3rd Cir. 1974), cert. denied, 421 U.S. 914 (1975).

Notwithstanding the five non-disclosed items could only be potential prior art against claims 12, 14 and 15, the Courts below found that claims 14 and 15 were patentable over all of the prior art items advanced by Respondents, including the five non-disclosed items; and that claim 12 was unpatentable because considered obvious over *Ag. Eng.* and *Studer*, but the Courts went on to state that deceptive intention involved more than mere technical fraud, as might be revealed by a finding of obviousness.

Adverting to Respondents' point of the volume of the non-disclosed prior art contributing to the alleged reasonableness of the lower Court's inference of deliberate concealment, it is seen that the quality rather than the quantity of such prior art is the important thing. The significance of prior art lies not in its volume, but in its content insofar as its capability to anticipate the subject matter of a claim. Thus, the mere volume of prior art has no probative value.

Factor of Non-Disclosed Prior Art Being "Pertinent"

Another contention advanced by Respondents as contributing to the alleged reasonableness of the lower Courts' inference of deliberate concealment, is that the Courts below found that Shepardson had a duty to disclose "pertinent" prior art to the Office. The Courts did not explicitly so state. If a duty to disclose merely "pertinent" prior art is implied from the Courts' statements, it is clearly erroneous.

The non-disclosed prior art items do pertain generally to mechanical grape harvesting and therefore are "pertinent", or relate generally to such harvesting and therefore are "relevant", but this is not tantamount to disentitling the patentee to the claims for which he was asking. It is the effect on the patentee's entitlement to the allowability of a patent claim, that counts. By the lower Courts' own analysis, Shepardson was not disentitled to claims 14 and 15, and was only disentitled to claim 12 because its subject matter was considered obvious, but this was not regarded as seeking such claim 12 fraudulently or as a result of inequitable conduct.

An applicant has no duty to disclose to the Office prior art which he is aware of which is merely "pertinent" or "relevant", but not "material". Even if "material", the applicant has not breached his duty unless the prior art was withheld with a deceitful intent designed to obtain a claim to which he clearly would not otherwise have been entitled.

The lower Courts cited no authority for the principle, urged by Respondents, that a patentee has a duty to disclose merely "pertinent", or "relevant", prior art to the Office.

Factor of Non-Disclosed Prior Art Allegedly Being More "Material"

Respondents further contend that the non-disclosed prior art was more "material" than any cited by the Office. The Courts below did not say that; they said more "relevant". Neither did the Courts state that Shepardson knew these non-disclosed prior art items were more "pertinent", as Respondents contend.

Before adopting its final statement of a duty to disclose information which is "material" to the examination of a patent application, as set forth in 37 C.F.R. 1.56(a), the Patent and Trademark Office substituted "material" for "relevant" so as to connote something more than a trivial relationship. Its definition of "material", also incorporated in 37 C.F.R. 1.56(a), states: "Such information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent." The Office stated (955 O.G. Pat. Off. 1055-1056) it was guided substantially by this Court's articulation of "materiality" in an analogous context, specifically securities law instead of patent law, in *TSC Industries, Inc. v. Northway, Inc.*, 426 U.S. 438 (1976). There, this Court noted (426 U.S. at 448-449) that the standard of materiality should not be so low that persons would be "subjected to liability for insignificant omissions or misstatements," or so low that the fear of liability would cause management "simply to bury the shareholder in an avalanche of trival information—a result that is hardly conducive to informed decision making."

Similar concerns were prophesied in a patent context regarding the duty to disclose known prior art to the Office.

In *United States v. Standard Electric Time Co.*, 155 F.Supp. 949 (D. Mass. 1957), appeal dismissed, 254 F.2d 598 (1st Cir.

1958), the government brought suit to cancel a patent on the grounds of fraud and mutual mistake, alleging that the patentee, an assistant professor at M.I.T., had failed to disclose to the Patent Office four published masters theses on deposit in the M.I.T. library and of which he had actual knowledge. None of the theses was an "anticipation" in the 35 U.S.C. § 102 sense of disclosing each and every feature of the claims which the applicant had sought. With respect to the patentee's duty to disclose these four theses to the Patent Office, the court said:

> "The applicant's obligation under 35 U.S.C. § 115 and under former Rule 46 was to state whether to the best of his knowledge and belief the invention has been described in any printed publication. Of course, a putative inventor must disclose any printed publication which he either knows or believes describes the very invention claimed. United States v. American Bell Telephone Co., 128 U.S. 315, 355-356, 9 S.Ct. 90, 32 L.Ed. 450. More than this, if he knows of a printed publication which plainly describes his claimed invention, or comes so close thereto that every reasonable man would say the invention claimed was not original but had been anticipated, then regardless of his personal view that he is the original inventor, he will not be excused for his failure to disclose his knowledge. But the applicant has no duty to cite every publication of which he knows, or which he had used, merely because the publication is one likely to be referred to by a vigilant examiner in the Patent Office, or by a rival in an interference or other proceeding. It is not the object of the quoted statute or rule to supply all available evidence to the Patent Office, or to force the applicant to set up what he regards in good faith as straw men which he reasonably and in good faith believes he can knock down." 155 F.Supp. at 952.

To the same general effect is the following statement in *Becton, Dickinson & Co. v. Sherwood Medical Industries*, 516 F.2d 514, 524 (5th Cir. 1975):

> "Fair dealing—is not a mechanical mandate that every patent ultimately cited by the Examiner in issuing the patent or, more so, by the unlimited industry of counsel in a years-later infringement suit in which every writing, periodical, or patent, foreign or domestic, is dredged up as prior art, must be cited in the application. It is again a matter of judgment in the light of accepted practices by and with the Patent Office in using good, not bad, faith in citing art thought to be of sufficient relevance."

Were the duty to disclose otherwise, the result would have:

> "... the harmful effect of forcing a patent solicitor to flood the Patent Office in each case with a mass of data of doubtful materiality rather than take the risk that an inventor might later be denied the fruits of his monopoly because of failure to reveal some fact later magnified out of proportion by an infringer seeking to escape the reach of the patent by combing the inventor's files under our liberal pre-trial discovery procedures and dredging up some new found 'facts'." *Xerox Corp. v. Dennison Mfg. Co.*, 322 F.Supp. 964, 968 (S.D.N.Y. 1971).

Thus, the materiality of non-disclosed prior art is an important consideration in determining whether a duty to disclose it to the Office attaches to such prior art. But there must also be a deceitful intent in connection with any failure to disclose it before such failure is adjudged wrongful.

Factor of No Shepardson Testimony Explaining Non-Disclosure

A still further factor advanced by Respondents is that Shepardson never offered any explanation as to why the five items were not disclosed to the Office. There is nothing revealed in these items, when scrutinized, that mandates Shepardson's disentitlement to any claims he was seeking in his continuation-in-part application as to warrant a requirement for such an explanation. Examination of these items themselves exposes their lack of likelihood in changing the claims as allowed in the patent.

Shepardson testified that this was his first experience with patents. Nothing in the record suggests any attorney handling a Shepardson patent application had knowledge of any of the five non-disclosed items.

Under the circumstances, it is manifestly unfair and improper to consider Shepardson's lack of testimony explaining why he did not disclose the five items to the Office, as a factor which tends to justify the inference that the failure to disclose was "deliberate".

The illuminating fact piercing the obfuscation of Respondents is that there is absolutely no extrinsic evidence to make reasonable or warrant the lower Courts' inference that the non-disclosure was "deliberate". It is based *solely* on Shepardson's chargeable knowledge of the five non-disclosed items. This is not enough to supply the requisite element of wrongful intent. *United States v. U.S. Gypsum Co.*, 67 F.Supp. 397, 449-451 (D. D.C. 1946), rev'd. on other grounds, 333 U.S. 364 (1948), contains a good explanation of the principles of proof for making reasonable inferences.

Clearly Erroneous Findings *Re* "Material", "Misled" and "Inadvertent"

The findings of the Courts below that the five non-disclosed prior art items were "material" and "misled" the Office are clearly erroneous. In the first place, what the Court said about the patentability of claims 14 and 15 over all prior art is inconsistent with the conclusion of materiality and therefore destroys its propriety.

As to misleading the Patent Office, it must be remembered that claims 1, 2, 5, 6, 8, 11 and 17 were invalidated on *Grape Belt,* not on any of the five non-disclosed items. When the Examiner testified he would not have allowed the patent to issue in the form that it did, had he known about *Grape Belt* and the two theses (*Padget, Studer*), the value of his testimony is undermined because predicated on *Grape Belt.* The Examiner could have come to the same conclusion as the Courts below did, *i.e.* claims 1, 2, 5, 6, 8, 11 and 17 were invalid over *Grape Belt* but claims 12, 14 and 15 were not met by any prior art. Misleading the Office cannot be based on the Office's lack of knowledge of *Grape Belt,* because Shepardson was also unaware of it and therefore had no duty to disclose it.

The lower Courts said they did not find the failure to disclose the five items was "inadvertent". Since this statement immediately precedes one relating to a disclaimer filed after litigation commenced not being a prompt disclaimer, it is not clear whether the Courts had in mind the requirement of "inadvertence" under the oid disclaimer law, or whether it was intended as a general statement antithetical to "deliberate". In either context, the finding of no inadvertence is unwarranted, and therefore clearly erroneous.

For an appropriate disclaimer under current law, inadvertence is not a requisite.

Under all the circumstances, it is more plausible and hence reasonable to infer that Shepardson's failure to disclose the five items of purported prior art, if in fact there was any duty to disclose these items because of their incapability to have altered the result of the patent as issued, was inadvertent rather than deliberate. Even assuming *arguendo* that both inferences were equally probable to be drawn from the same facts, this would render the evidence equivocal, and Respondents then would not have met their burden of proving fraud by clear, unequivocal and convincing evidence.

Lower Courts Erred In Ruling Respondents Had Met Their Burden Of Proof

Under 35 U.S.C. §282, Respondents have the burden of proving invalidity. The burden of proof in a patent fraud case, as here, is that the fraud must be proven clearly, unequivocably and convincingly. *In Re Multidistrict Litigation Involving Frost Patent,* 540 F.2d 601, 603 (3rd Cir. 1976). It has been demonstrated that Respondents have failed to carry their burden, underscoring the error of the Courts below in stating otherwise.

Respondents' Brief in opposition, if anything, reinforces the compelling reasons for granting the petition for writ of certiorari.

Respectfully submitted,

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